FEATURE ARTICLE: *Payment of Benefits to Unemployed Virginians*
by James P. Wilson

VIRGINIA
Economic Indicators

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First Quarter Data, Second Quarter Preliminary Analysis,
and Latest 2009-2011 Projections

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Foreword

For those who are interested in studying the business cycle, the *Virginia Economic Indicators* publication is designed to depict the movement of the key economic indicator series readily available in Virginia. Most of these series are published elsewhere; but here, they are brought together in both graphic and tabular form, under one cover, and grouped so that they may be analyzed and interpreted easily.

Ten of the fourteen series currently used—the two employment series, the four unemployment series, and the four hours and earnings series—are produced in-house by the Economic Information Services Division of the Virginia Employment Commission and are comparable to similar national series produced by the U.S. Department of Labor. The four business indicators are provided by sources outside of the agency (see the Historical Summary at the back of this publication for data sources) and should prove useful to the student of business cycle development in Virginia.

All series currently published in the *Indicators* have been seasonally adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle. The *Virginia Economic Indicators* is currently the only seasonally adjusted publication of some of the Virginia series.

From time to time, new series will be added to this report as the data becomes available and is collected and tested. Also, series presently provided, if necessary, may be discontinued. Historical graphs are published in the back of the fourth quarter issue for each year.

This publication provides a narrative analysis update of the U.S. economy, a narrative analysis of recent changes in Virginia, and highlights of both economies. Also, feature articles dealing with some currently important aspects of the Virginia economy are presented. Feature articles are written in-house or by guest authors knowledgeable on particular economics-related subjects.

This publication is normally produced quarterly in April, July, October, and February, but data in the series is provided on a monthly basis. There is a time lag of one quarter before all the data series are available for publication and analysis.

With the 2002 benchmarks in 2003, all states were required to switch to the North American Industry Classification System (NAICS) codes which replace the Standard Industrial Classification (SIC) codes formerly used. The NAICS codes were updated in 2007. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that, where 2001 - 2009 data has been revised to NAICS, data prior to this time is still on the old SIC basis with more manufacturing industries. This means a slight break in these series when comparisons are made with former periods prior to 2001.

The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are missing from revised 2001 - 2009 data.

The U.S. forecast analysis is based on the Global Insight projections which the state purchases. Virginia projections use the state model with enhancements from VEC data for the areas.

Significant advances in printing technologies and the competitive bidding process allowed the production of the current format with its enhancements on an annual contract basis at a substantial cost savings over the previous process and format.

Production and distribution of the *Virginia Economic Indicators*, like most Virginia Employment Commission projects, are financed through specifically-earmarked U.S. Department of Labor grants and do not use Virginia state funding sources.

We welcome any comments, suggestions, or questions concerning *Virginia Economic Indicators*.

Please address your comments to:

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Highlights

The U.S. and Virginia Economies

The final First Quarter 2009 Gross Domestic Product figures revealed the U.S. economy was still in a state of "free fall" with GDP dropping 5.5 percent, only slightly better than the 6.3 percent GDP decrease in the final quarter of 2008. The current recession started its twentieth month July 1, 2009, and is already the longest recession since the Great Depression of the 1930s. It is, however, not yet as bad as the 1981-82 recession when unemployment peaked at 10.8 percent in the U.S. and 8.4 percent in Virginia, although some industries like construction, manufacturing, motor vehicles, and finance have been devastated. The fallout from the Chrysler and General Motors bankruptcies will probably add one additional quarter to the length of the recession. The current situation is the stimulus monies are starting to create jobs, but they are being negated by fallout from the motor company bankruptcies. The economy will likely deteriorate further in second and possibly third quarters 2009 before a turnaround in GDP in the fourth quarter. Unemployment will probably peak in the first half of 2010 in the low 10 percent range.

The recession's grip tightened on Virginia in First Quarter 2009, and the same appeared to be true in Second Quarter 2009, according to preliminary data. Still, Virginia, as usual, appeared to outperform the nation as a whole. In the most recent month for which some data was available, May 2009, Virginia was losing jobs at a 2.6 percent annual rate whereas national job loss was a faster 3.9 percent annual rate. Unemployment for May (seasonally adjusted) was 7.1 percent in Virginia while it hit 9.4 percent for the nation. Virginia continues its relationship of being about 25 percent better off than the nation. Virginia benefits from the significant and growing federal government employment presence here and the large amount of employment in the still expanding health care and higher education sectors. The fact that the credit and liquidity situation is still not quite resolved poses big problems for some firms here. Many small employers are trying to hold on until the liquidity situation improves, but some are falling by the wayside. Construction and manufacturing are severely depressed, each having lost nearly 30,000 jobs in the last year. The General Motors and Chrysler bankruptcies have also prolonged the recession by about three months in Virginia. This state has a number of suppliers to General Motors and Chrysler. The cancelation of dealer franchises will hit especially hard in rural areas where these dealers were deeply involved in their respective local communities.

Turning to the fourteen series Virginia indicators, the performance was as follows in First Quarter 2009:

- January had three series up, four unchanged, and seven down.
- February had six series up, one unchanged, and seven down.
- The slide deepened in March with one series up, one unchanged, and twelve series down.

There were records set by the indicator series in the first quarter, but unfortunately, they were all negative.

- Factory employment plummeted to new lows of 254,700 in January, 250,600 in February, and 249,500 in March.
- Following factory employment, production hours worked reached new lows of 7,764,000 in January and 7,657,000 in March.
- The insured unemployment rate reached a new high of 2.82 percent in March.
- Final payments for jobless benefits reached a new high of 8,252 in March.

By May, the nine published metropolitan areas in the state were responsible for the loss of 57,000 jobs, and the remaining rural areas, plus the unpublished Danville metropolitan area, accounted for 43,000 jobs lost in the combined 100,000, or 2.6 percent, statewide reduction since the recession began. The best performances have been in the Lynchburg and Harrisonburg metropolitan areas where the monthly job gain, or loss, figures have varied plus, or minus, a few hundred jobs from the year-ago figures. The biggest metropolitan areas of Hampton Roads and Northern Virginia, where federal government employment and federal government contracting are major economic stabilizers, have seen job losses in the one percent range. The two hardest-hit metropolitan regions have been Richmond, which as a result of major business closings, lost 21,000 jobs, or 3.3 percent of its employment base, and the small Winchester area, where cutbacks have amounted to 2,600, or 4.6 percent, of the employment base. Counties and cities along the North Carolina border have had the highest jobless rates.

The Consumer Price Index for the United States for All Urban Consumers (CPI-U) averaged 212.0 (1982-84=100) in First Quarter 2009. The average was 0.5 percent below the 213.1 Fourth Quarter 2008 average. The First Quarter 2009 average was 0.1 percent below the First Quarter 2008 average of 212.1. There was slight deflation when First Quarter 2009 was compared to the two earlier quarters.

According to the Bureau of Labor Statistics of the U.S. Department of Labor, during First Quarter 2009, productivity rose 1.6 percent in the nonfarm business sector; output fell 7.6 percent and hours of all persons fell 9.0 percent (seasonally adjusted annual rates). The decrease in hours, 9.0 percent, was the largest since First Quarter 1975, when hours fell 12.0 percent. Over the last four quarters, productivity in the nonfarm business sector grew 1.9 percent. This growth rate was lower than the 2.5 percent average rate of growth from 2000 to 2007.

The recession's grip tightens in 2009's first half.

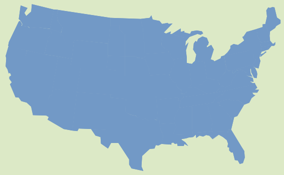
Hourly compensation increased at a 4.6 percent annual rate in the nonfarm business sector in First Quarter 2009. The measure increased 4.5 percent in the fourth quarter, as revised. When hourly compensation is adjusted for the fall in consumer prices, real hourly compensation grew 7.1 percent in First Quarter 2009.

Unit labor costs rose 3.0 percent in First Quarter 2009. The percent change from the same quarter a year ago was 2.2 percent. The implicit price deflator for nonfarm business output increased 2.8 percent in First Quarter 2009.

According to the Energy Information Administration of the U.S. Department of Energy, Virginia's First Quarter 2009 coal production of 6,159,000 short tons mined was 9.0 percent above the 5,651,000 short tons mined in First Quarter 2008.

William F. Mezger, Chief Economist
Virginia Employment Commission

U.S. Economic Outlook



Forecast Update—First Quarter Data, Second Quarter Preliminary Analysis, and Latest 2009-2011 Projections

William F. Mezger, Chief Economist

Real Gross Domestic Product (GDP)—the output of goods and services produced by labor and property located in the United States and a key measure of economic gain or loss—decreased at an annual rate of 5.5 percent in First Quarter 2009, according to the final estimates released by the Bureau of Economic Analysis of the U.S. Department of Commerce on June 25, 2009. The first quarter GDP drop indicated the economy was still in a state of "free fall" and was a continuation of the 6.3 percent decrease in GDP in the final quarter of 2008 and the 0.5 percent decrease in Third Quarter 2008. The average growth rate for all of 2008 had been 1.1 percent, barely positive because of growth in that year's first half.

The economy was still in a state of "free fall" in First Quarter 2009.

The decrease in real GDP in First Quarter 2009 primarily reflected negative contributions from most sectors, including exports, equipment and software, private inventory investment, nonresidential structures, and residential fixed investment. There was slight positive contribution from personal consumption expenditures. Imports, which are a subtraction in the GDP calculation, decreased.

The current recession, which was caused by the 2007-2008 collapse of financial markets, is already the longest downturn since the Great Depression of the 1930s, beginning its twentieth month July 1, 2009. It is, however, not yet as bad as the 1981-82 recession when unemployment peaked at 10.8 percent in the U.S. and 8.4 percent in Virginia. This recession, like the 1991 and 2001 recessions, has been selective in that some industries such as construction, manufacturing, motor vehicles, and finance have been absolutely devastated while others, like health care, higher education, and some services, are still seeing expansion.

U.S. GDP is now expected to decrease again in Second Quarter 2009, although the rate of decrease appears to be slowing (probably 2 to 3 percent), and there also may be a slight decrease in Third Quarter 2009. The bankruptcies of Chrysler and General Motors and the fallout from suppliers and dealers is probably adding about an extra quarter, at least, to the recession. The motor companies' financial situations appear to give them and the U.S. government little other choice. The managed bankruptcies, with the U.S. government's backing, appear to be the best choice for the companies, the country, and the economy as a whole. To have allowed the companies to expire would have wiped out the machine tool industry and the vehicle component industry, which are a big chunk of U.S. manufacturing. Much of the Midwest would be devastated with U.S. unemployment rising to the mid-teens. It probably would mean the demise of the Ford Motor Company, also, as Ford and the foreign brands assembled in the U.S. by themselves could not support the U.S. vehicle component industry. It appears much better to take the supply and dealer dislocations now than to have the entire domestic industry wiped out altogether. From a military standpoint, the U.S. needs to keep these production capabilities in this country. Also, if the rescues go as planned, the U.S. government should ultimately make money on the vehicle industry recovery as it did on the early 1980s bailout of Chrysler.

The big problem in the U.S. economy is still that the banking/liquidity situation has not been completely resolved although the Federal Reserve and the U.S. Treasury are pressing forward. The financial community, which caused many of the problems to begin with, has been reluctant to adopt the new banking regulations and guidelines. We seem to be getting there, but there is still a ways to go before credit liquidity is completely restored.

This recession, which is the longest since the Great Depression of the 1930s, entered its twentieth month in July 2009.

The economic situation at mid-year 2009 is that the federal stimulus monies are starting to work into the economy and create new jobs in federal, state, and local governments, construction, health care, education, and energy, but the fallout from the Chrysler and General Motors bankruptcies, and their suppliers and dealers, is negating the stimulus benefits. This situation should eventually correct itself with GDP starting to grow by year's end 2009. When the expansion starts, employers will test its strength for a quarter, or so, by working existing employees overtime, before starting to actually create new jobs. Then all the unemployed will need to be rehired. U.S. unemployment should peak at 10.2 - 10.3 percent by mid-year 2010, but the U.S. unemployment rate is not expected to recede below 8.0 percent before about 2013.

Unemployment this time is not yet as high as the 10.8 percent U.S. peak reached in the 1981-82 recession.

A look at some other areas of the economy:

- Residential construction appears to be bottoming out now.
- Existing home sales should bounce along the bottom at current levels until mid-2010, when recovery should start.
- Commercial construction, which was the last to falter, should remain depressed until late 2010.
- Light vehicle sales should reach 11 million units by 2010, a level at which new leaner, meaner, revamped car manufacturers can be competitive.
- Inflation should not be a problem for the next couple of years with the Fed Funds rate, which controls interest rates, staying below 0.50 percent through 2010. The U.S. will actually see deflation of 0.6 percent in 2009 (why there will be no increase in Social Security benefits in 2010). The theory is that before inflation returns, the bailouts and stimulus monies that will push the federal deficit to nearly $1.6 trillion in 2009 will revive the economy and tax revenues. The recovery produced revenues should lower the federal deficit to $750 billion by 2012.
- Although gasoline prices have risen $.40 - $.50 per gallon in the Memorial Day to July Fourth peak summer driving period, as of this writing, they are already on the way down. The recession-reduced demand just does not warrant these higher prices. Per barrel oil prices are projected to average $55 in 2009, $64 in 2010, and $73 in 2011. Prices will be rising, but still be well below 2008's $100 per barrel average.
- With much of the rest of the world in a worse recession than the U.S., exports should be a drag on the U.S. economy for some time to come.

The Chrysler and GM bankruptcies have extended the recession, temporarily, negating the stimulus monies; but GDP should resume growth by year's end and unemployment should peak in 2010.

Updated 2009, 2010, and 2011 Forecasts			
	Percent (except as noted) Averages		
	2009	2010	2011
Real GDP	-2.8	1.5	3.1
Personal Income	0.1	2.2	4.0
Consumer Spending (Real)	-0.6	1.6	2.0
Business Investment (Real)	-18.3	-0.1	12.6
Federal Government Spending (Real)	4.5	1.3	-3.7
State and Local Government Spending (Real)	-1.0	0.0	-0.3
Housing Starts (Million Units)	0.56	0.87	1.29
Existing Home Sales (Million Units)	4.60	4.52	5.03
Light Vehicle Sales (Million Units)	9.8	11.4	13.7
Nonagricultural Employment	-3.6	-0.5	1.6
Unemployment Rate (Levels)	9.3	10.2	9.7
Consumer Price Inflation	-0.6	1.8	2.4
Oil Prices ($ per Barrel)	55	64	73
Industrial Production	-10.3	1.6	4.1
Federal Government Surplus (Billion Dollars)	-1,590	-1,233	-914
Current Account Balance (Billion Dollars)	-478	-639	-685

The baseline forecast probability is 60 percent.

Forecast Alternatives

The **pessimistic scenario** assumes the financial crisis is not resolved due to the stubbornness of the banking community. Credit markets remain clogged and domestic spending slows even more, causing a further downward housing spiral. U.S. unemployment rises to nearly 12 percent for 2010 and 2011. Recovery after that is painfully slow. (Probability is 20 percent.)

In the **optimistic scenario**, the low interest rates and the stimulus packages work better than expected with full cooperation from the financial community. GDP growth resumes in the last half of 2009 and the economy is growing above 3.0 percent in 2010. Unemployment peaks this summer and starts to recede, never reaching 10.0 percent. (Probability is 20 percent.)

July 14, 2009

Virginia Indicators

First Quarter 2009 Data, A Look at the Recession's Probable Path, and Updated Area Information

William F. Mezger, Chief Economist

The recession's grip tightened on Virginia in First Quarter 2009, and the same appeared to be true in Second Quarter 2009, according to preliminary data. Still, Virginia, as usual, appeared to outperform the nation as a whole. In the most recent month for which some data was available, May 2009, Virginia was losing jobs at a 2.6 percent annual rate whereas national job loss was a faster 3.9 percent annual rate. Unemployment for May (seasonally adjusted) was 7.1 percent in Virginia while it hit 9.4 percent for the nation. Virginia was the fourteenth-best state for unemployment in May 2009 and tied for the best large state with Texas. Virginia continues its relationship of being about 25 percent better off than the nation. Virginia benefits from the significant and growing federal government employment presence here (especially in Northern Virginia and Hampton Roads) and the large amount of employment in the still expanding health care and higher education sectors. The fact that the credit and liquidity situation is still not quite resolved poses big problems for some firms here. Many small employers are trying to hold on until the liquidity situation improves, but some are falling by the wayside. Construction and manufacturing are severely depressed, each having lost nearly 30,000 jobs in the last year. There are foreclosures and still-to-be-completed housing developments and shopping centers. About the only retailers expanding are a few "big box" nationwide discount chains that emphasize low prices. The General Motors and Chrysler bankruptcies have prolonged the current recession—now entering its twentieth month in July—by about three months. Virginia shortly will have only one vehicle assembly plant, the Volvo heavy truck plant in Dublin, but it has a number of suppliers to General Motors, Chrysler, and other vehicle producers. The cancelation of dealer franchises will hit especially hard in rural areas where these dealers were deeply involved in their respective local communities.

Turning to the fourteen series Virginia indicators, the only Virginia series for which data is available, the performance was as follows in First Quarter 2009:

- January had three series up, four unchanged, and seven down.
- February had six series up, one unchanged, and seven down.

(Not that January and February indicator performances were that great, but by comparison to the dismal Fourth Quarter 2008 results, the figures for the first two months of the new year did not look that bad.)

- The slide returned in March with one series up, one unchanged, and twelve series down. With Easter in April in 2009, there was no added boost to March retail and tourism activities this year.

Even with the recession's grip tightening, Virginia, with 2.6 percent job loss, was still better than the 3.9 percent U.S. job loss.

There were records set by the indicator series in the first quarter, but unfortunately, they were all negative.

- Factory employment plummeted to new lows of 254,700 in January, 250,600 in February, and 249,500 in March.
- Following factory employment, production hours worked reached new lows of 7,764,000 in January and 7,657,000 in March.
- The insured unemployment rate reached a new high of 2.82 percent in March.
- Final payments for jobless benefits reached a new high of 8,252 in March.

The six-month moving average of rising indicators on page 18 serves to illustrate the quarter's performance. The moving average enhances analysis because it smoothes out much of the irregularity present in many of the individual series.

Around the State

By the release of the May data, the nine published metropolitan areas in the state were responsible for the loss of 57,000 jobs, and the remaining rural area, plus the unpublished Danville metropolitan area, accounted for 43,000 jobs lost in the combined 100,000, or 2.6 percent, statewide reduction since the recession began. The best performances have been

Of the nine published MSA's, Harrisonburg and Lynchburg are about neutral, while Richmond has lost the most jobs (21,000), and Winchester has had the biggest percentage job loss (4.6 percent).

in the Lynchburg and Harrisonburg metropolitan areas where the monthly job gain, or loss, figures have varied only plus, or minus, a few hundred jobs from the year-ago figures. The biggest metropolitan areas of Hampton Roads and Northern Virginia, where federal government employment and federal government contracting are major economic stabilizers, have seen job losses in the one percent range, In spite of vehicle industry job losses, the influence of the large state universities has kept New River Valley job reductions around one percent overall. The Roanoke and Charlottesville areas have fared slightly worse with job cutbacks in the two percent range. The two hardest-hit metropolitan regions have been Richmond, which as a result of major business closings, lost 21,000 jobs, or 3.3 percent of its employment base, and the small Winchester area, where cutbacks have amounted to 2,600, or 4.6 percent, of the employment base. Counties and cities along the North Carolina border have had the highest jobless rates.

- **Harrisonburg** employment has remained close to neutral in the current recession with losses in vehicle-related manufacturing and construction being largely offset by hires at the large James Madison state university and the research and technology industries that it supports.

  Unemployment is in the six percent range because of temporary and permanent factory furloughs.

- **Lynchburg** has also seen employment levels close to neutral in the current recession. Employment gains in Lynchburg's several private colleges and their support industries, plus some energy-related hires, have, so far in this recession, been enough to offset cutbacks in the area's fairly large factory sector. **Unemployment** has risen to the seven percent range because of the factory layoffs.

  Both Harrisonburg and Lynchburg may not perform as well as during the summer months when the respective colleges are out of session.

- **Blacksburg-Christiansburg-Radford** has averaged net job loss just under one percent, or 1,000, because of a number of layoffs, both permanent and temporary, in its heavily vehicle- and vehicle-component-oriented manufacturing sector. The net impact of these factory layoffs on the local economy has, to some extent, been blunted by expansions at the two large state universities (Virginia Tech and Radford) and their support and related technology industries. The factory layoffs have pushed **unemployment** to the eight percent range.

- **Virginia Beach-Norfolk-Newport News, Virginia/ North Carolina** has seen a modest employment loss of less than one percent on an annual basis, or about 7,000 jobs. Much of the job reduction has come in construction, manufacturing (vehicle-related layoffs are starting to show up on the Peninsula), and trade and transportation (mostly due to reduced shipments through Hampton Roads ports). Leisure and hospitality has been off slightly in the pre-season second quarter, but this region shows less travel industry loss than other regions of the state. Stimulus monies are starting to appear in the form of new jobs on federal installations and in the federal contract-oriented professional and business services. Education and health care continue to see growth. This region usually does better in recessions than most others, and **unemployment** is at the statewide seven percent average. In May, Hampton Roads was the seventh-best U.S. major metropolitan area for unemployment.

- **Northern Virginia** has seen job losses of 1.5 percent, or 19,000, annually. The losses have been mostly in construction (especially commercial construction this year), information, finance, and retail trade. Leisure and hospitality had just a so-so spring season with some cutbacks in D.C. area tourism evident. Professional and business services is still positive, thanks to computer systems design, but architects and engineers have had a

rough spring. Federal government installations seem to be expanding with stimulus monies. **Unemployment** is just above the level of "full employment" at five percent, which is about the best of all large U.S. metropolitan areas. Arlington, Fairfax, and Loudoun counties are still below five percent unemployment. Unemployment will rise for the summer when college students and graduates flock to the D.C. area looking for work.

- The **Roanoke** area has seen job losses of two percent, or 3,600, annually. Most sectors have shed jobs, but the losses are more pronounced in trade and transportation and manufacturing. The only major sector adding jobs is health care, which has been boosted by the Carilion Clinic's on-going expansion. The combined layoffs have boosted **unemployment** to over seven percent.

- The **Charlottesville** area has seen job losses of nearly three percent, or 3,000, spread over most of the private sector. The large state university/hospital complex has added a few jobs, but currently does not seem to be exhibiting the growth of some similar institutions. Federal agencies continue to move staff into new installations in the area. **Unemployment** is nearly six percent, continuing to keep the Charlottesville area Virginia's second-best metropolitan area for unemployment.

- The **Richmond** area has lost 21,000 jobs in this recession for the greatest number of jobs shed of all Virginia's metropolitan areas. The percentage job loss is 3.3 percent. Through an unfortunate set of circumstances, Richmond has seen the demise of Circuit City, S & K Menswear, Wachovia Securities, LandAmerica, Qimonda, and Reynolds Packaging. This has created significant job losses in construction, manufacturing, retailing, and finance. The Richmond area used to weather recessions better than many U.S. areas because of a diversified core of conservative local and regional businesses that were so astutely managed that they did not usually get caught up in national downturns. In the last three decades, most of the above businesses either expanded nationally, or were bought up, or merged with, national concerns with the decision making process being removed from the local area. Now when recessions come, these firms seem to get quickly caught up in national downturns. The Richmond area still has some things going for it that should help the region out of the current recession. The large public and private health care and higher education sectors are still expanding and are expected to continue to do so. Phillip Morris USA is still expected to move cigarette production operations from Concord, North Carolina, to the Richmond area in late 2010. Also, the mammoth expansion

project at Fort Lee is on-going and has been added to by the stimulus monies. The recent closings and layoffs have boosted **unemployment** to the eight percent range.

- **Winchester, Virginia/West Virginia**, Virginia's smallest published metropolitan area, has seen the largest percentage job loss of 4.6 percent (2,600 jobs). Winchester's manufacturing sector is oriented to making products for the construction and motor vehicle industries, and it recently has experienced significant job losses. Construction is also down like most everywhere else. The good thing is service industry losses have been minor, and the large service sector should quickly rebound like the service-oriented greater Washington D.C. area economy, of which it is really a part. Also, there have been recent expansions at health care and at federal government installations in the area. Winchester area **unemployment** is in the eight percent range because of the factory layoffs, but in bad times, Winchester also picks up unemployment from area residents who had formerly been working outside the metropolitan area in neighboring areas.

- The **Danville** metropolitan area has seen **unemployment** rise to double-digit levels because of increased short-term layoffs in its dominant manufacturing sector. **Danville** currently seems much better off than the **Martinsville** micropolitan area to its west where unemployment is approaching twenty percent. The Virginia areas along the North Carolina border, which have industrial mixes similar to that state, have recently, like North Carolina, experienced double-digit unemployment.

The recession was still taking hold in Virginia in First Quarter 2009.

Nonagricultural wage and salary employment, on a seasonally adjusted basis, rose 5,300 from December to January, but then fell 17,600 from January to February and was down 19,100 from February to March. Only the February to March decrease was enough to register the 18,000 (plus, or minus, 0.5 percent) necessary to show change on the page 17 and 18 tables. The employment free-fall in Virginia was really just starting to accelerate in the first quarter after averaging negative by only 3,900, or 0.1 percent, for all of 2008. Factory employment, seasonally adjusted, set new record-lows for the series for each month of the quarter, falling from 256,600 in

First quarter indicators data show the recession's deepening impact on Virginia.

December to 249,500 by March. The January and February changes registered negative on the page 17 and 18 tables, but March showed "no change." Manufacturing is being hard hit by the recession.

The four unemployment-related series were mostly positive from December to January (due to the fact that January's losses were less severe than those sustained in the closing weeks of 2008 when many firms were on furlough.) All four unemployment series were all negative for February and March. The seasonally adjusted total unemployment rate rose from 5.0 percent in December to 6.0 percent in January, 6.6 percent in February, and 6.8 percent in March. Average weekly initial claims were down from 9,888 in December to 8,782 in January, due to the large number of new claims in December associated with year-end furloughs; but then rose to 11,765 in February and 12,596 in March. The insured unemployment rate (which is the ratio of claims to the number of workers eligible for benefits) went from 1.86 percent in December to 1.73 percent in January, but then rose to 2.20 percent in February, and 2.82 percent in March. Final payments for unemployment benefits (which to some extent reflect layoffs six months previous) were down from 6,097 in December to 4,758 in January, but rose to 6,418 in February, and 8,252 in March. March 2009 saw record highs of 2.82 percent for insured unemployment and 8,252 for final payments.

The four hours-and-earnings-related series were neutral-to-negative in January, mostly positive in February, but then turned to mostly negative in March. The length of the production workweek fell from 39.6 hours in December to 39.2 hours in January, revived to 40.2 hours for February, but then was down to 39.5 hours for March. The production workweek was running about four whole hours longer than it is now in First Quarter 2008 because of overtime to fill export orders that have since dried-up. As factory production slowed, total production hours worked hit new all-time lows of 7,764,000 in January and 7,657,000 in March. February was a little better at 7,880,000. The average hourly production wage was up from $18.08 in December to $18.14 in January, but slid to $18.02 for February, before rising to $18.19 for March. The record had been $18.69 in August 2008. The average weekly factory pay rate was overall affected by the shortened workweek lengths. It fell from $714.17 in December to $712.20 in January, rose to $724.67 for February, but then was back to $716.35 for March.

The four extremely sensitive business-related series were largely negative in January, mostly positive in February, and all negative by March. The difficulty of getting financing was a factor for both housing and vehicles. The troubled single family housing permits tumbled from 1,369 in December to 1,039 in January (almost as low as November 2008's record of 1,033), rose to 1,370 in February, but fell back to 1,091 for March. New business incorporations were down from December's 1,263 to 1,061 in January, then rose to 1,120 in February, but fell to 930 for March. New vehicle registrations were down from 30,316 in December to 24,512 in January, then bounced back up to 26,296 in February, before settling to 23,325 in March. Taxable retail sales in January, at $8,431million, were little improved from December's $8,417 million. (Some December sales probably did not get recorded until the first few days in January). Taxable retail sales then fell to $7,989 million in February and $7,910 million in March as the recession's grip tightened.

January 2008 - March 2009 Data

Employment Indicators

	Nonagricultural Wage and Salary Employment* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	3,719.8	3,774.0	270.2	271.9	3.6	3.4
February	3,728.1	3,775.9	267.2	268.6	3.6	3.5
March	3,749.0	3,768.5	265.7	267.1	3.6	3.6
April	3,770.5	3,773.5	267.7	268.0	3.2	3.7
May	3,787.7	3,768.6	266.6	266.7	3.6	3.8
June	3,806.8	3,759.5	266.8	265.4	4.0	3.9
July	3,765.3	3,768.6	265.3	265.0	4.1	4.0
August	3,759.1	3,769.5	265.0	264.0	4.3	4.1
September	3,766.6	3,762.8	263.7	263.0	4.1	4.1
October	3,757.9	3,748.7	261.8	261.6	4.2	4.3
November	3,748.1	3,725.1	258.4	258.3	4.6	4.6
December	3,731.4	3,704.1	257.2	256.6	5.1	5.0
2009						
January	3,656.0	3,709.4	253.1	254.7	6.4	6.0
February	3,644.9	3,691.8	249.2	250.6	7.0	6.6
March	3,653.6	3,672.7	248.2	249.5	6.9	6.8

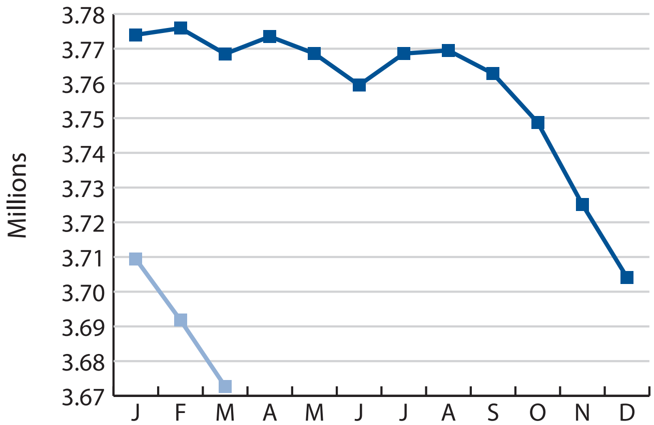
* These series have been adjusted to First Quarter 2008 benchmarks.

Unemployment Insurance Indicators

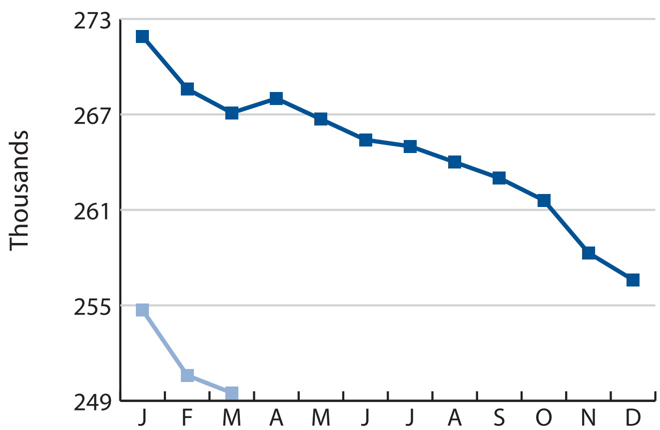
	Average Weekly Initial Claims		Insured Unemployment Rate (Percent)		Unemployment Insurance Final Payments	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	8,194	5,432	1.16	0.93	3,747	3,327
February	5,407	5,513	1.11	0.96	3,040	3,179
March	5,001	5,456	1.23	1.18	3,295	3,137
April	4,777	5,768	1.06	1.08	4,311	4,072
May	4,772	5,734	1.02	1.05	3,562	3,274
June	4,994	5,764	1.16	1.26	3,641	3,639
July	5,698	5,214	1.13	1.16	4,603	4,326
August	4,741	5,902	1.09	1.23	3,768	3,468
September	5,900	7,280	0.93	1.12	4,300	4,815
October	7,122	7,844	1.15	1.24	3,856	4,199
November	8,940	8,305	1.57	1.58	3,649	4,255
December	13,603	9,888	2.01	1.86	5,460	6,097
2009						
January	13,246	8,782	2.15	1.73	5,359	4,758
February	11,538	11,765	2.53	2.20	6,138	6,418
March	11,545	12,596	2.93	2.82	8,669	8,252

Employment Indicators

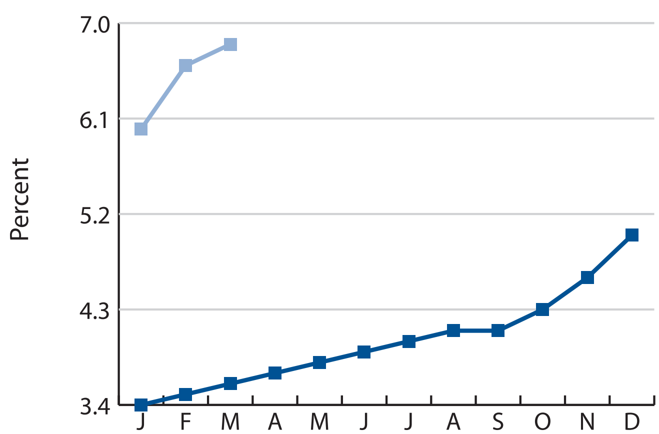
Nonagricultural Wage and Salary Employment



Manufacturing Employment

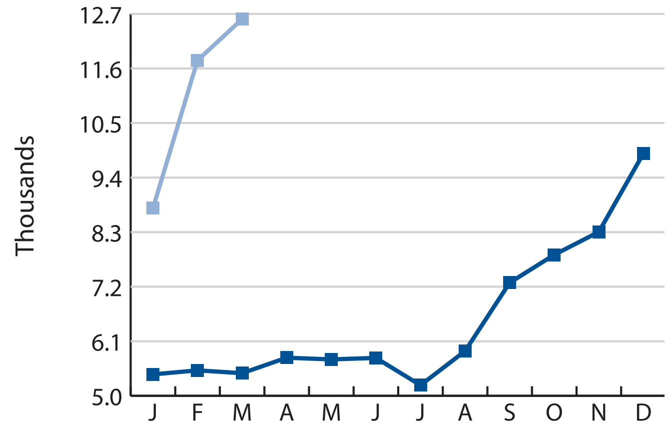


Total Unemployment Rate

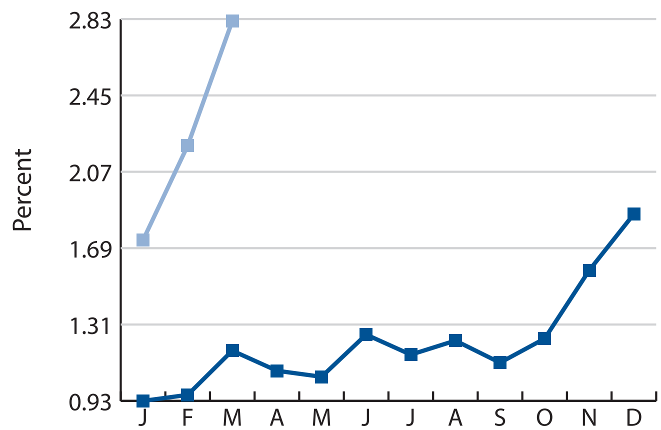


Unemployment Insurance Indicators

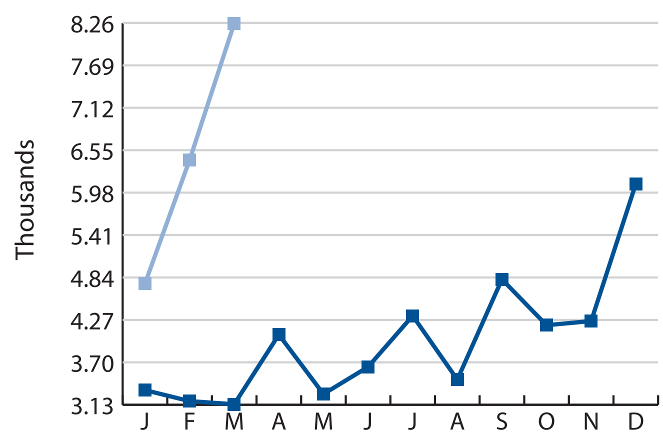
Average Weekly Initial Claims



Insured Unemployment Rate



Unemployment Insurance Final Payments



Manufacturing Production Worker Indicators

	Average Weekly Hours*		Average Hourly Earnings* (Dollars)		Deflated Average Hourly Earnings* (1982-84 Dollars)	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	43.4	43.2	18.29	18.24	8.85	8.77
February	43.8	43.8	18.22	18.21	8.79	8.72
March	43.5	43.7	18.19	18.26	8.70	8.73
April	42.9	43.5	18.29	18.25	8.68	8.70
May	44.4	44.1	18.16	18.29	8.53	8.65
June	43.9	43.4	18.43	18.36	8.56	8.59
July	43.1	43.4	18.56	18.56	8.58	8.65
August	43.4	43.5	18.64	18.69	8.66	8.71
September	41.9	42.2	18.53	18.58	8.62	8.67
October	43.0	42.8	18.45	18.43	8.70	8.72
November	40.4	40.8	18.02	18.03	8.69	8.64
December	40.2	39.6	18.16	18.08	8.87	8.69
2009						
January	39.4	39.2	18.19	18.14	8.84	8.77
February	40.2	40.2	18.03	18.02	8.72	8.65
March	39.3	39.5	18.12	18.19	8.74	8.78

* These series have been adjusted to First Quarter 2008 benchmarks.

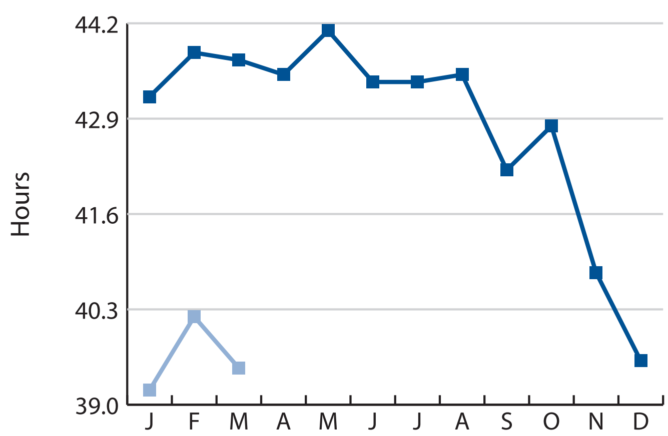
Manufacturing Production Worker Indicators (continued)

	Total Production Hours* (Thousands)		Average Weekly Earnings* (Dollars)		Deflated Average Weekly Earnings* (1982-84 Dollars)	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	9,144	9,160	793.79	788.86	383.95	379.37
February	9,102	9,173	798.04	797.87	385.05	382.74
March	8,996	9,092	791.27	795.95	378.33	380.00
April	8,949	9,068	784.64	794.29	372.40	377.47
May	9,231	9,187	806.30	807.14	378.92	379.58
June	9,158	9,010	809.08	795.93	375.93	372.92
July	8,952	9,007	799.94	803.31	369.82	374.48
August	9,019	8,988	808.98	818.37	375.84	381.88
September	8,652	8,676	776.41	783.31	361.23	365.53
October	8,815	8,762	793.35	789.35	373.90	371.27
November	8,165	8,250	728.01	734.80	351.19	352.90
December	8,080	7,931	730.03	714.17	356.44	346.42
2009						
January	7,750	7,764	716.69	712.20	348.42	344.25
February	7,819	7,880	724.81	724.67	350.64	348.52
March	7,577	7,657	712.12	716.35	343.66	345.18

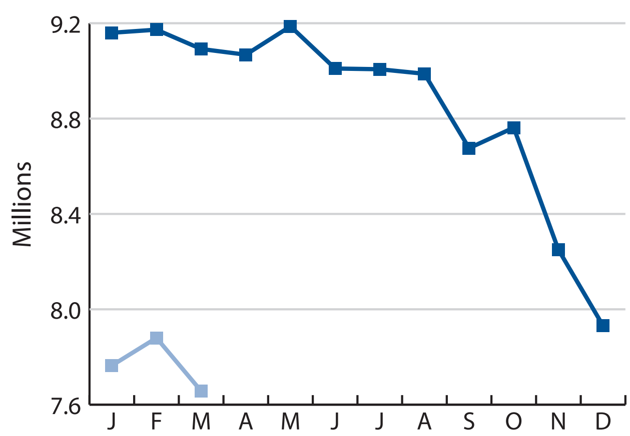
* These series have been adjusted to First Quarter 2008 benchmarks.

Manufacturing Production Worker Indicators

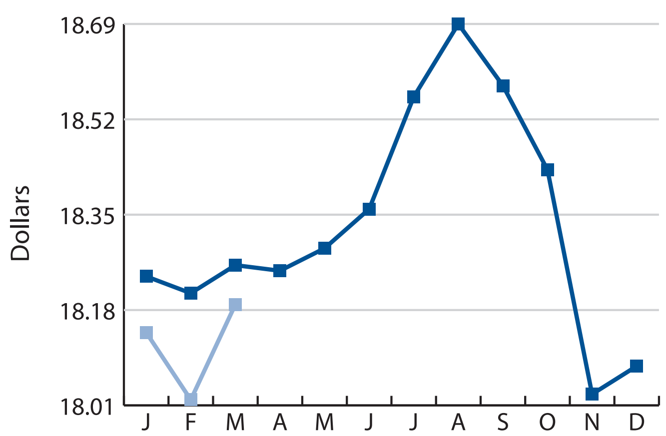
Average Weekly Hours



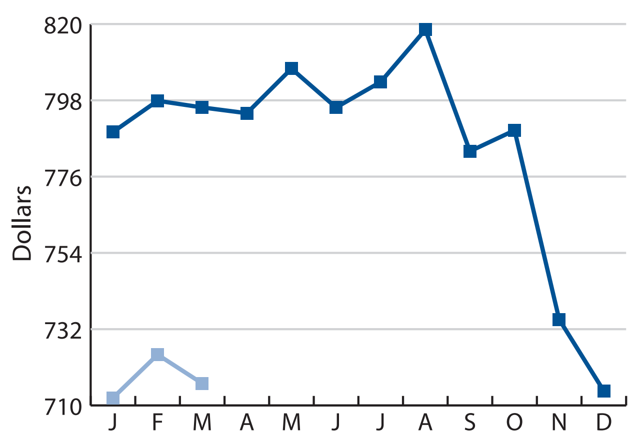
Total Production Hours



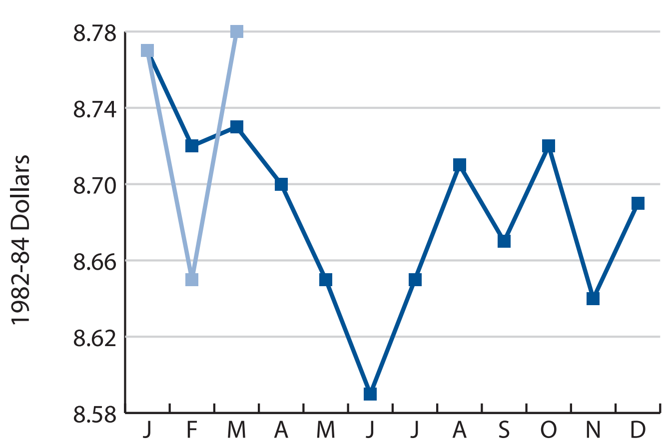
Average Hourly Earnings



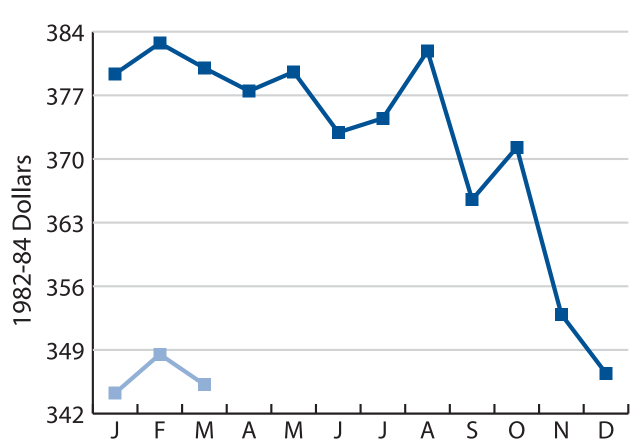
Average Weekly Earnings



Deflated Average Hourly Earnings



Deflated Average Weekly Earnings



Business Indicators

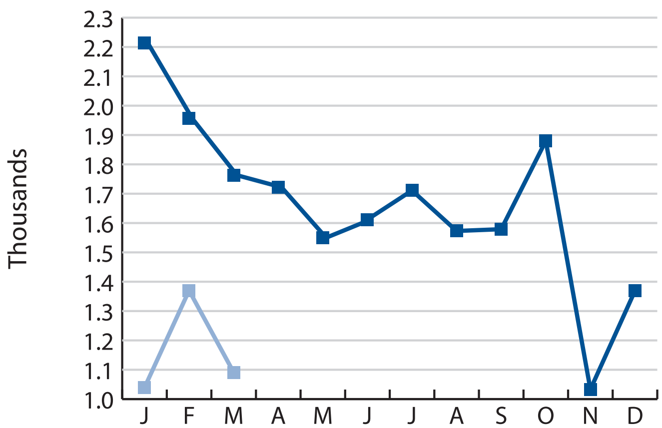
	Single Family Housing Permits		New Business Incorporations		New Vehicle Registrations	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	1,891	2,214	1,578	1,528	38,869	41,100
February	1,865	1,956	1,329	1,298	31,615	39,991
March	2,045	1,763	1,604	1,290	37,113	35,723
April	1,947	1,722	1,761	1,651	39,156	36,859
May	1,818	1,550	1,453	1,340	40,756	35,757
June	1,905	1,612	1,344	1,289	41,337	35,840
July	1,821	1,711	1,400	1,452	38,733	36,084
August	1,635	1,573	1,087	1,130	34,003	29,884
September	1,422	1,579	1,236	1,287	34,522	33,191
October	1,789	1,880	1,125	1,252	29,138	28,964
November	873	1,033	822	1,025	19,032	22,935
December	1,010	1,369	1,153	1,263	23,637	30,316
2009						
January	887	1,039	1,096	1,061	23,181	24,512
February	1,306	1,370	1,146	1,120	20,790	26,296
March	1,266	1,091	1,156	930	24,232	23,325

Business Indicators (continued)

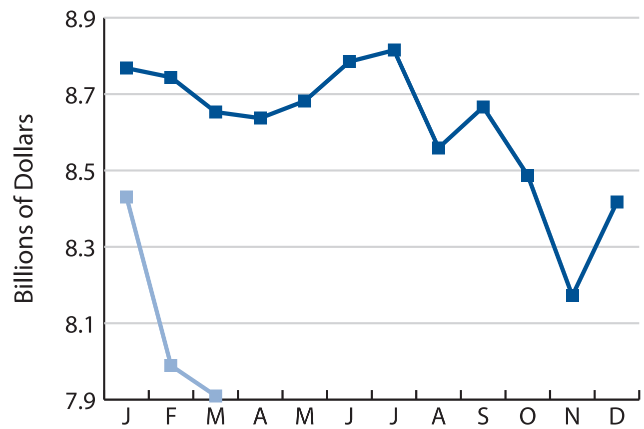
	Taxable Retail Sales (Millions of Dollars)		Deflated Taxable Retail Sales (Millions of 1982-84 Dollars)	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	7,599	8,768	3,676	4,215
February	7,692	8,744	3,711	4,192
March	8,728	8,653	4,173	4,131
April	8,538	8,637	4,052	4,115
May	8,786	8,682	4,129	4,109
June	9,382	8,785	4,359	4,118
July	8,712	8,815	4,028	4,088
August	8,514	8,559	3,955	4,004
September	8,622	8,666	4,011	4,063
October	8,527	8,487	4,019	3,989
November	7,962	8,172	3,841	3,921
December	10,220	8,417	4,990	4,049
2009				
January	7,307	8,431	3,552	4,073
February	7,028	7,989	3,400	3,840
March	7,978	7,910	3,850	3,812

Business Indicators

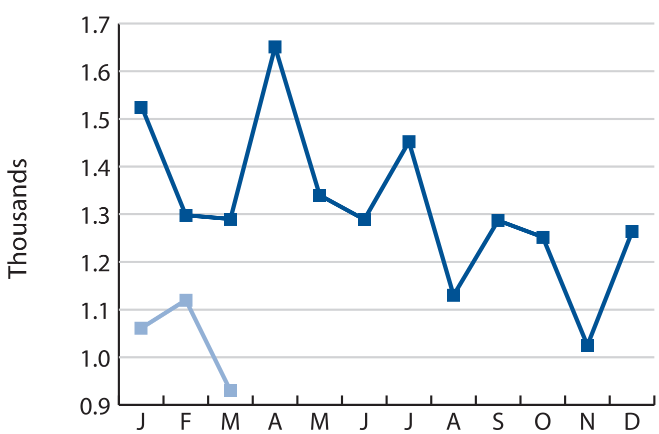
Single Family Housing Permits



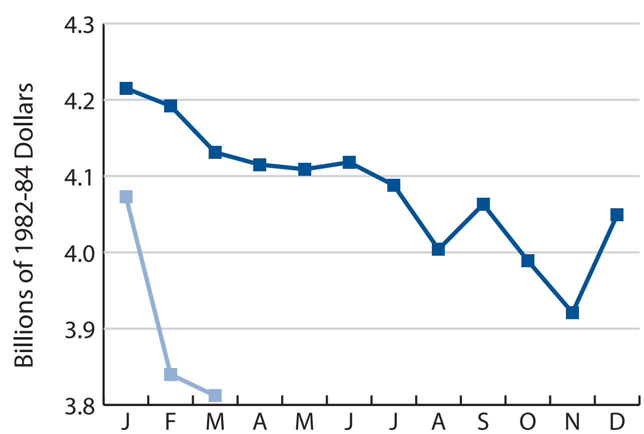
Taxable Retail Sales



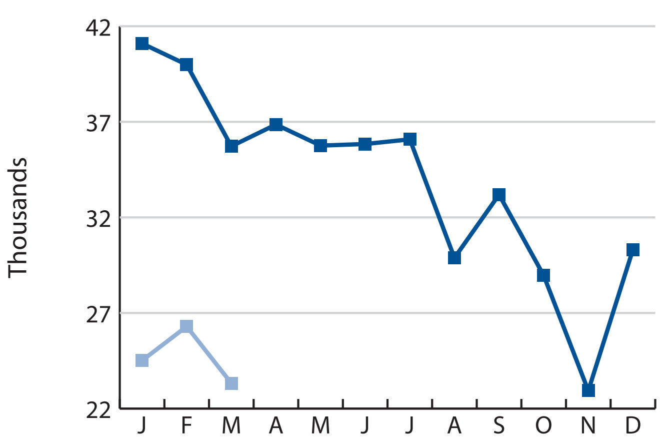
New Business Incorporations



Deflated Taxable Retail Sales



New Vehicle Registrations



Data Summary (Seasonally Adjusted Data)

January 2009

	Jan 2009	Dec 2008	Jan 2008	Percent & Direction of Change** Dec 2008-Jan 2009	Jan 2008-Jan 2009
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,709.4	3,704.1	3,774.0	0.1(0)	-1.7(-)
*Manufacturing Employment (000)	254.7	256.6	271.9	-0.7(-)	-6.3(-)
*Total Unemployment Rate (%)	6.0	5.0	3.4	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	8,782	9,888	5,432	-11.2(+)	61.7(-)
Insured Unemployment Rate (%)	1.73	1.86	0.93	(+)	(-)
Final Payments	4,758	6,097	3,327	-22.0(+)	43.0(-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	39.2	39.6	43.2	-1.0(-)	-9.3(-)
*Total Production Hours (000)	7,764	7,931	9,160	-2.1(-)	-15.2(-)
*Average Hourly Earnings ($)	18.14	18.08	18.24	0.3(0)	-0.55(-)
*Average Weekly Earnings ($)	712.20	714.17	788.86	-0.3(0)	-9.7(-)
BUSINESS					
Single Family Housing Permits	1,039	1,369	2,214	-24.1(-)	-53.1(-)
New Business Incorporations	1,061	1,263	1,528	-16.0(-)	-30.6(-)
New Vehicle Registrations	24,512	30,316	41,100	-19.1(-)	-40.4(-)
Taxable Retail Sales ($M)	8,431	8,417	8,768	0.2(0)	-3.8(-)

February 2009

	Feb 2009	Jan 2009	Feb 2008	Percent & Direction of Change** Jan 2009-Feb 2009	Feb 2008-Feb 2009
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,691.8	3,709.4	3,775.9	-0.47(0)	-2.2(-)
*Manufacturing Employment (000)	250.6	254.7	268.6	-1.6(-)	-6.7(-)
*Total Unemployment Rate (%)	6.6	6.0	3.5	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	11,765	8,782	5,513	34.0(-)	113.4(-)
Insured Unemployment Rate (%)	2.20	1.73	0.96	(-)	(-)
Final Payments	6,418	4,758	3,179	34.9(-)	101.9(-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.2	39.2	43.8	2.6(+)	-8.2(-)
*Total Production Hours (000)	7,880	7,764	9,173	1.5(+)	-14.1(-)
*Average Hourly Earnings ($)	18.02	18.14	18.21	-0.7(-)	-1.0(-)
*Average Weekly Earnings ($)	724.67	712.20	797.87	1.8(+)	-9.2(-)
BUSINESS					
Single Family Housing Permits	1,370	1,039	1,956	31.9(+)	-30.0(-)
New Business Incorporations	1,120	1,061	1,298	5.6(+)	-13.7(-)
New Vehicle Registrations	26,296	24,512	39,991	7.3(+)	-34.2(-)
Taxable Retail Sales ($M)	7,989	8,431	8,744	-5.2(-)	-8.6(-)

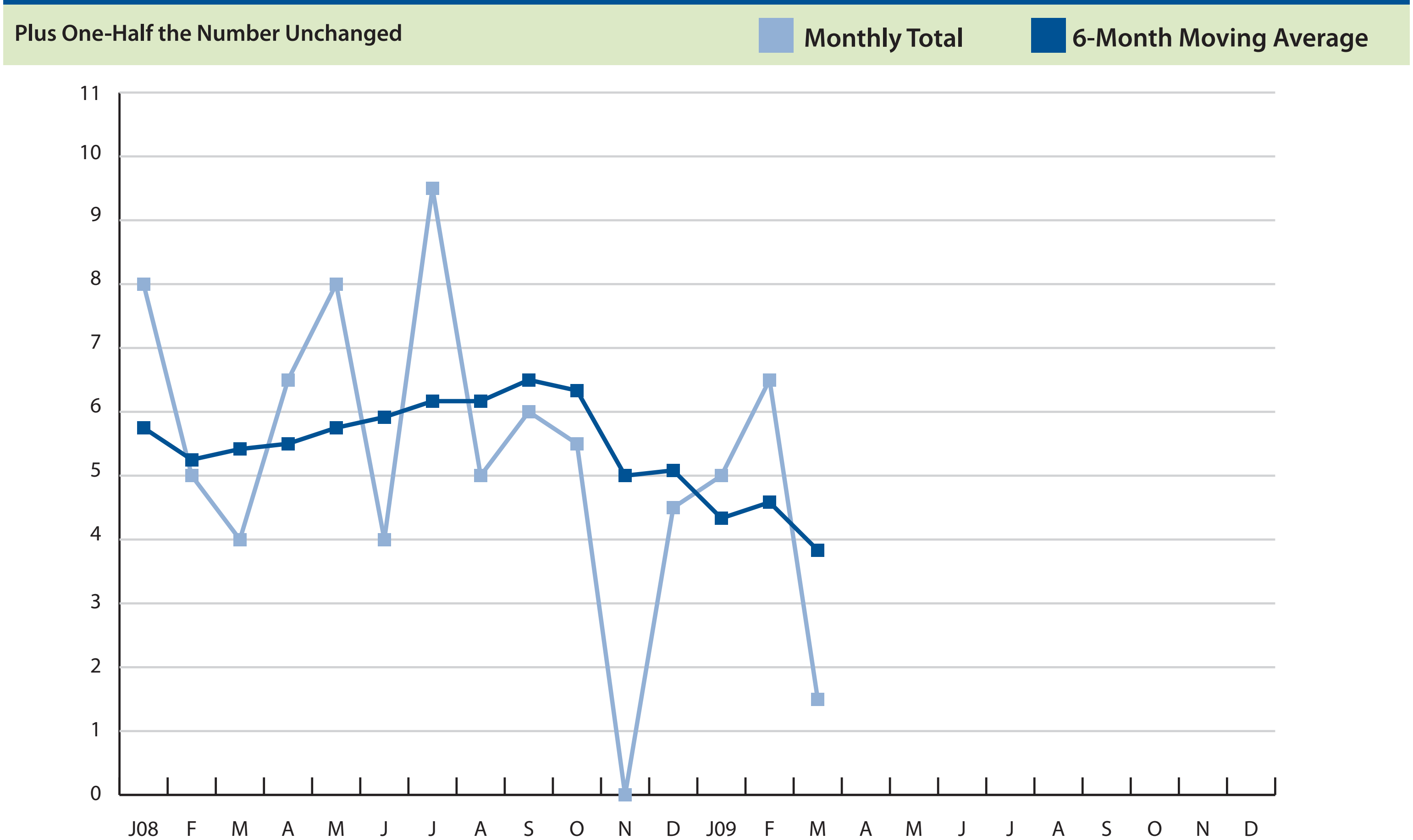
March 2009

	Mar 2009	Feb 2009	Mar 2008	Percent & Direction of Change** Feb 2009-Mar 2009	Percent & Direction of Change** Mar 2008-Mar 2009
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,672.7	3,691.8	3,768.5	-0.52(-)	-2.5(-)
*Manufacturing Employment (000)	249.5	250.6	267.1	-0.4(0)	-6.6(-)
*Total Unemployment Rate (%)	6.8	6.6	3.6	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	12,596	11,765	5,456	7.1(-)	130.9(-)
Insured Unemployment Rate (%)	2.82	2.20	1.18	(-)	(-)
Final Payments	8,252	6,418	3,137	28.6(-)	163.1(-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	39.5	40.2	43.7	-1.7(-)	-9.6(-)
*Total Production Hours (000)	7,657	7,880	9,092	-2.8(-)	-15.8(-)
*Average Hourly Earnings ($)	18.19	18.02	18.26	0.9(+)	-0.4(0)
*Average Weekly Earnings ($)	716.35	724.67	795.95	-1.1(-)	-10.0(-)
BUSINESS					
Single Family Housing Permits	1,091	1,370	1,763	-20.4(-)	-38.1(-)
New Business Incorporations	930	1,120	1,290	-17.0(-)	-27.9(-)
New Vehicle Registrations	23,325	26,296	35,723	-11.3(-)	-34.7(-)
Taxable Retail Sales ($M)	7,910	7,989	8,653	-1.0(-)	-8.6(-)

* Revised to 1st Quarter 2008 benchmarks.
** (+) Favorable, (-) Not Favorable, (0) Change between +/- 0.5%.

NUMBER OF SERIES MOVING FAVORABLY

Plus One-Half the Number Unchanged



Payment of Benefits to Unemployed Virginians

by James P. Wilson, Senior Economist

According to 2008 data from the U.S. Department of Labor, Virginia ranks 47th, or 6th from last, in the percentage of its unemployed receiving unemployment insurance (UI) benefits with 26.9 percent. Nationally, 36.9 percent of the unemployed receive benefits. Wisconsin ranks number one, with 60.3 percent. South Dakota is last with 18.0 percent. (See map on page 21.)

Because state law establishes eligibility criteria for unemployment compensation, there is significant variation among the state UI systems[1] in the percentage of unemployed persons qualifying for benefits. This is but one of the reasons for the contrast in the percentage of the unemployed population receiving benefits from one state to the next. A state's demographics and economic condition also play direct roles.

Factors Influencing Virginia's Ranking

Qualifying Wages

• The level of income a claimant must earn in the base period to qualify for benefits in Virginia is $2,700, the 16th highest in the nation.

The standard base period consists of the first four of the last five completed calendar quarters before a claim was filed. (In Virginia, effective July 2003, if the claimant has earned insufficient wages in the standard base period to become eligible for benefits, then the claimant's "base period" is the four most recent completed calendar quarters.) Hawaii, with a threshold of only $130, maintains the lowest such requirement. Maine is the highest in the nation, requiring $4,446 to qualify for benefits.

Work Search Requirements

• Continuing eligibility criteria also limit payment of claims.

Virginia requires claimants to report their job search efforts by providing a list of prospective employers contacted. While all states require that claimants be available for possible employment, this stricter requirement prohibits payment on some claims and may act as a disincentive to file for benefits.

Voluntarily Leaving Work

• Unlike most states, Virginia has a statutory requirement disqualifying those who quit work to accompany a spouse to another location.

All states have laws restricting eligibility in cases of voluntary departure from employment. To receive benefits, individuals must have compelling reasons to leave work, such as there was no other reasonable alternative.

Unlike most states, Virginia has a statutory requirement disqualifying those who quit work to accompany a spouse to another location. This requirement, which applies to all claimants, has a particularly significant impact in Virginia with its large, transient military population. (At about 3 to 4 percent, Virginia usually ranks third among all states in military personnel as a percentage of nonagricultural employment.)

1 State UI systems include the District of Columbia and Puerto Rico.

Requalification for Benefits

• Requalification for benefits in Virginia entails becoming reemployed for at least 30 working days or 240 hours plus base period wage qualification.

Only two other states mandate length of employment to requalify for benefits. Indiana requires wages equal to the weekly benefit amount of the prior claim in each of eight weeks. Ohio requires six weeks of work and wages three times the weekly average. Other states have only wage requirements.

Changing Industry[2] Mix

• Employment in Virginia has continued to shift from manufacturing to services, a trend reflecting a lower rate of qualified claims.

From 1990 to 2008 manufacturing's share of nonagricultural employment in Virginia fell from 13.4 percent to 7.0 percent. The national manufacturing average in 2008 was 9.8 percent; states varied from 0.2 percent in the District of Columbia to 17.7 percent in Indiana. Manufacturing workers traditionally enjoy stable employment and high wages and have been found much more likely than other laid-off workers to file for unemployment benefits.[3]

Between 1990 and 2008, Virginia's employment in service industries, which includes restaurants, increased from 35.0 percent to 45.7 percent. Some service workers are more likely to be transitory and to receive lower pay, making them less likely to qualify.

Unemployment Rate

• For 2008, Virginia had the ninth lowest unemployment rate in the nation at 4.0 percent.

There is a significant positive correlation between the unemployment rate and payment of benefits.[4] A reduced filing rate for unemployment benefits is expected in better job markets since those who anticipate getting jobs file for benefits less frequently. Unemployment rates for the states and nation are listed in the table on pages 22-24. In general both rates move in the same direction. The exceptions most likely reflect changes in the minimum earnings requirement. (See graph on page 25.)

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[2] Using North American Industry Classification System (NAICS) definition.

[3] Walter Corson and Walter Nicholson, *An Examiniation of Declining U.I. Claims During the 1980's*, Unemployment Insurance Occasional Paper 88-3, Employment and Training Administration, U.S. Department of Labor, 1988, p.111.

[4] Corson and Nicholson, p. 121.

Union Membership Rate

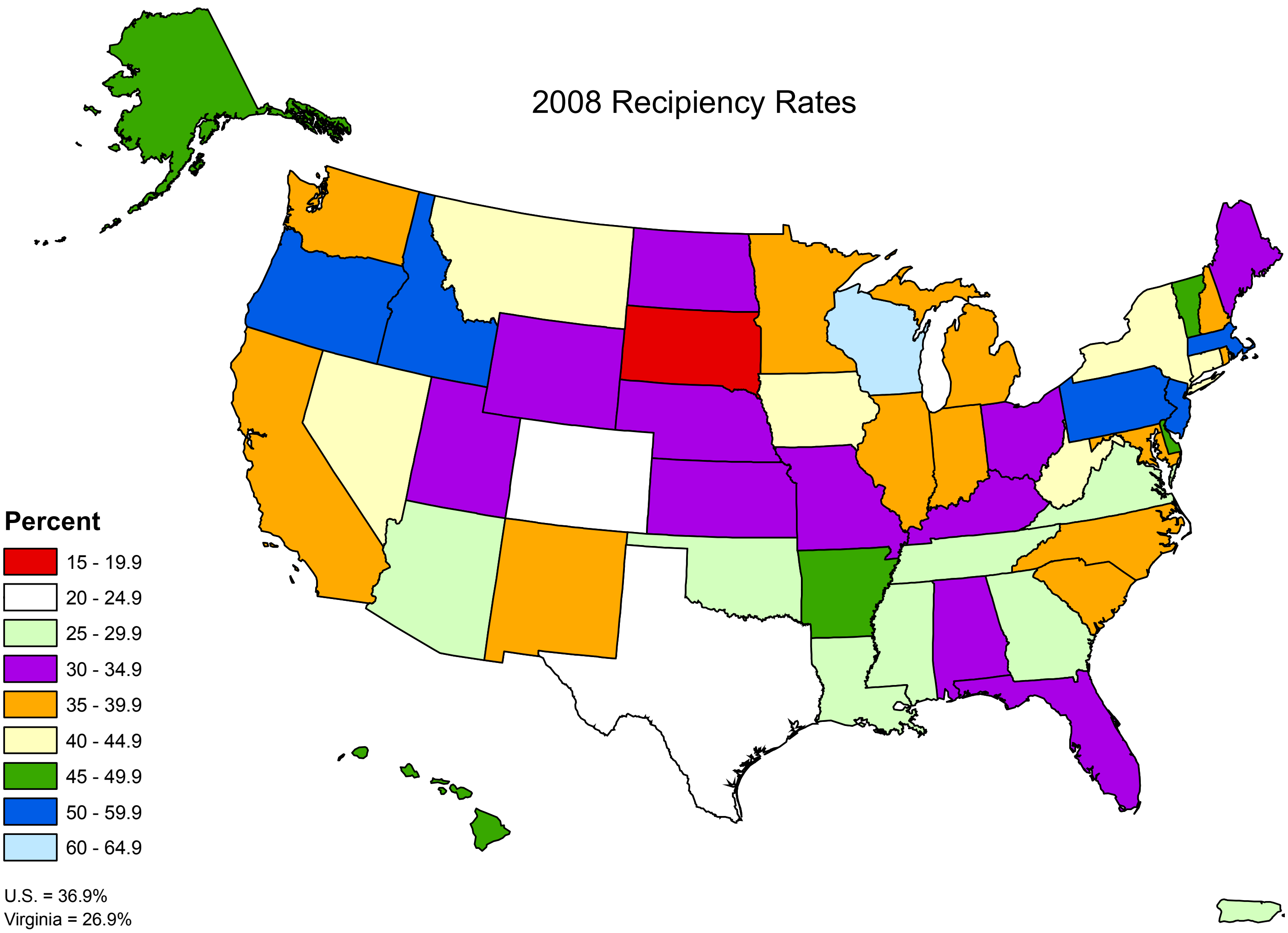
• In 2008 Virginia had the fourth lowest union membership rate in the nation.

Virginia's union membership rate of 4.1 percent was almost 67 percent below the national average of 12.4 percent. (Union membership rate is the percent of nonfarm wage and salary employment, excluding the self-employed, that belong to a union or an employee association similar to a union.) "For white-collar workers, unions do not have a significant effect on the probability of UI benefit receipt. Eligible blue-collar workers laid off from union jobs are approximately 23 percent more likely than comparable nonunion workers to receive UI benefits."[5]

CONCLUSIONS

Various reasons explain the differences among states in the percentage of unemployed receiving UI benefits. Virginia's qualification requirements, work search standards, disqualification standard for voluntarily quitting work, requalification requirements, industry mix, unemployment rate, and union membership rate are the major factors which influence its ranking among other states. The degree to which the percentage of benefit eligible unemployed may be adjusted by modifying factors within the control of the General Assembly cannot be easily forecast. This is particularly true when eligibility is expanded because "new" claimants are not already in existing data sets.

[5] John W. Budd and Brian P. McCall, "Unions and Unemployment Insurance Benefits Receipt: Evidence from the Current Population Survey," *Industrial Relations*, Vol. 43, No. 2, April 2004, p. 339.



Recipiency Rate is the number of unemployed receiving UI benefits divided by the total unemployed.
Source: Virginia Employment Commission, April 2009

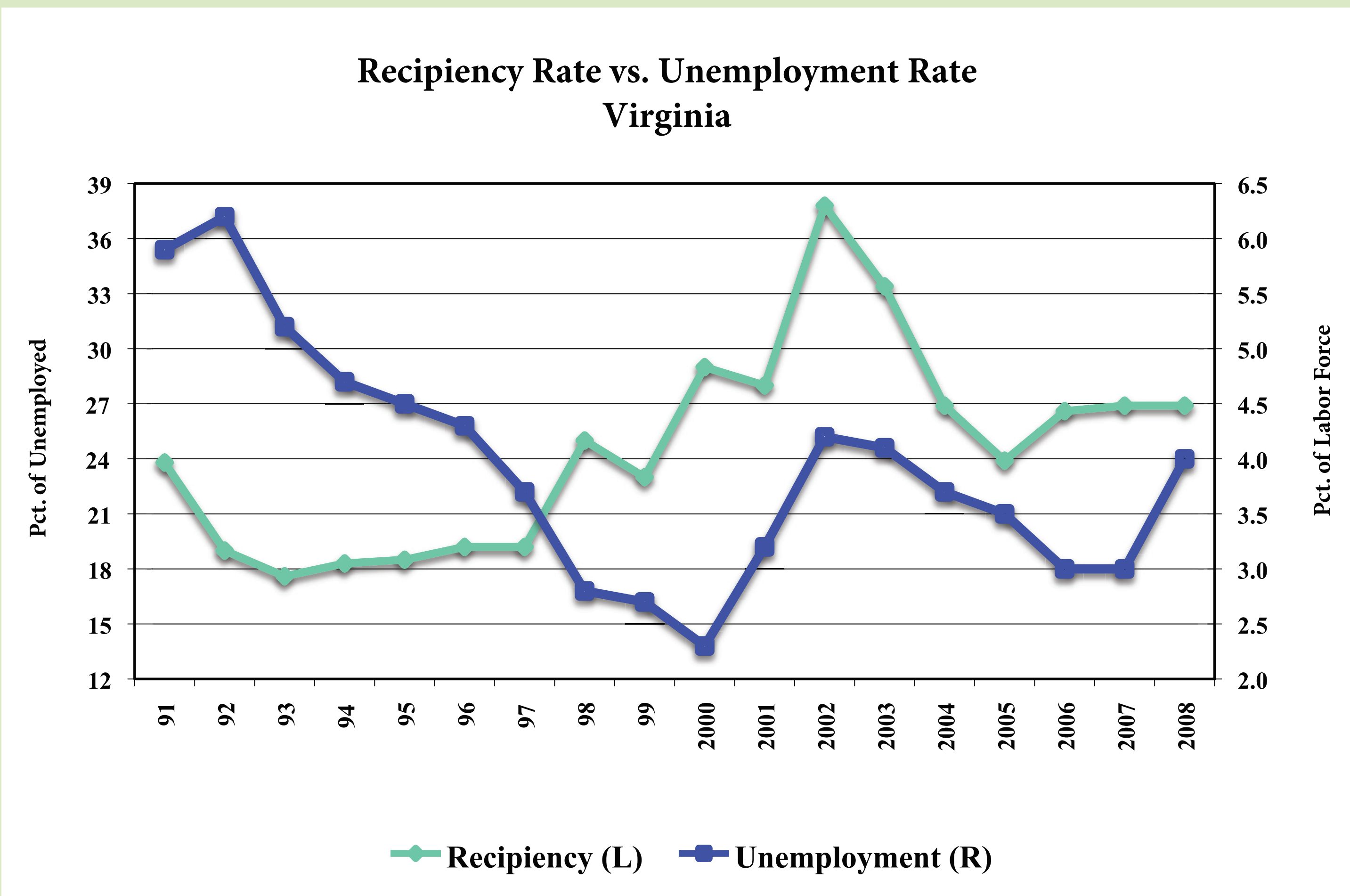
2008 U.I. Statistics
States and United States

	Percent of Unemployed Receiving Benefits	Unemployment Rate	Exhaustion Rate	Average Weeks Duration
Alabama	34.6%	5.0%	32.2%	11.2
Alaska	47.1%	6.7%	40.7%	14.6
Arizona	28.0%	5.5%	49.0%	14.9
Arkansas	49.8%	5.1%	37.1%	13.0
California	38.2%	7.2%	50.1%	16.6
Colorado	22.9%	4.9%	48.4%	12.8
Connecticut	44.7%	5.7%	36.3%	15.8
Delaware	49.1%	4.8%	38.0%	17.2
District of Columbia	22.6%	7.0%	58.2%	23.3
Florida	31.3%	6.2%	57.4%	15.2
Georgia	28.3%	6.2%	45.6%	11.6
Hawaii	46.1%	3.9%	31.2%	13.9
Idaho	52.8%	4.9%	35.1%	11.9
Illinois	37.2%	6.5%	40.0%	16.7
Indiana	39.3%	5.9%	45.9%	12.8
Iowa	42.7%	4.1%	26.7%	11.6
Kansas	33.9%	4.4%	36.9%	13.9

Table–Continued				
	Percent of Unemployed Receiving Benefits	Unemployment Rate	Exhaustion Rate	Average Weeks Duration
Kentucky	30.9%	6.4%	25.1%	14.1
Louisiana	28.1%	4.6%	39.5%	13.7
Maine	33.4%	5.4%	36.3%	14.1
Maryland	38.7%	4.4%	38.7%	15.1
Massachusetts	53.9%	5.3%	41.5%	17.4
Michigan	39.6%	8.4%	39.0%	15.0
Minnesota	37.6%	5.4%	41.7%	16.3
Mississippi	28.2%	6.9%	33.6%	12.9
Missouri	32.6%	6.1%	35.5%	13.9
Montana	43.8%	4.5%	38.1%	14.1
Nebraska	32.7%	3.3%	42.7%	11.5
Nevada	43.9%	6.7%	46.9%	14.7
New Hampshire	36.3%	3.8%	22.9%	13.1
New Jersey	54.8%	5.5%	50.3%	17.8
New Mexico	35.8%	4.2%	47.0%	15.9
New York	40.2%	5.4%	39.3%	16.2
North Carolina	38.2%	6.3%	50.4%	13.2
North Dakota	32.1%	3.2%	37.9%	10.3
Ohio	32.9%	6.5%	32.7%	14.9

Table–Continued				
	Percent of Unemployed Receiving Benefits	Unemployment Rate	Exhaustion Rate	Average Weeks Duration
Oklahoma	25.6%	3.8%	39.2%	13.7
Oregon	50.4%	6.4%	35.8%	13.9
Pennsylvania	57.0%	5.4%	34.8%	16.1
Puerto Rico	28.2%	11.5%	47.4%	18.4
Rhode Island	35.9%	7.8%	47.1%	16.3
South Carolina	36.2%	6.9%	44.5%	13.3
South Dakota	18.0%	3.0%	12.4%	10.2
Tennessee	27.8%	6.4%	40.0%	13.3
Texas	21.4%	4.9%	43.8%	13.4
Utah	31.5%	3.4%	42.2%	13.6
Vermont	47.3%	4.8%	22.1%	14.5
Virginia	26.9%	4.0%	39.5%	12.3
Washington	37.2%	5.3%	25.4%	13.1
West Virginia	43.8%	4.3%	24.5%	13.2
Wisconsin	60.3%	4.7%	27.8%	13.2
Wyoming	32.6%	3.1%	29.2%	13.2
U.S. Average	**36.9%**	**5.8%**	**41.5%**	**14.9**

Source: U.S. Department of Labor



Recipiency Rate vs. Unemployment Rate
Virginia
Pct. of Unemployed
Pct. of Labor Force
39
36
33
30
27
24
21
18
15
12
6.5
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
91
92
93
94
95
96
97
98
99
2000
2001
2002
2003
2004
2005
2006
2007
2008
Recipiency (L)
Unemployment (R)

Historical Summary

Performance of Indicators Over the Business Cycle

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

Business Cycle Turning Points

The beginning of a recession is defined as the month when aggregate economic activity in the U.S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. On November 26, 2001, the National Bureau of Economic Research (NBER) announced a recession had begun in March 2001. On July 17, 2003, NBER announced the recession ended in November 2001.

Seasonal Adjustment

To correlate changes in a time series and changes in the business cycle, it is desirable to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in the *Virginia Economic Indicators* have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

Historical Graphs

Historical graphs are published in the back of the fourth quarter issue for each year.

Data Sources

U.S. Census Bureau:

- Single Family Housing Permits

Virginia Department of Motor Vehicles:

- New Vehicle Registrations

Virginia Department of Taxation:

- Deflated Taxable Retail Sales
- Taxable Retail Sales

Virginia Employment Commission:

- Average Hourly Earnings
- Average Weekly Earnings
- Average Weekly Hours
- Average Weekly Initial Claims
- Deflated Average Hourly Earnings
- Deflated Average Weekly Earnings
- Insured Unemployment Rate
- Manufacturing Employment
- Nonagricultural Wage and Salary Employment
- Total Production Hours
- Total Unemployment Rate
- Unemployment Insurance Final Payments

Virginia State Corporation Commission:

- New Business Incorporations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Frederick
Washington
Cambridge
Fredericksburg
Charlottesville
River
Manchester
Petersburg

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The Virginia Employment Commission is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.

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